

1 Adopt 2 Cal. Code Regs. Section 18412 to read:

2 **§18412. Identifying Funding Sources for Contributions and Independent**

3 **Expenditures Made by Certain Tax Exempt Organizations.**

4 (a) Application. This regulation establishes rules governing organizations that are
5 formed and operate as tax exempt organizations under Internal Revenue Code Sections
6 501(c)(3), 501(c)(4), 501(c)(5), and 501(c)(6), as well as federal or out-of-state political
7 organizations, which make contributions or independent expenditures from their general
8 treasuries to support or oppose a candidate or ballot measure in California, and which
9 report the sources of the funds used to make those contributions or independent
10 expenditures as required by Regulation 18215(b)(1).

11 (b) If a donor to such an organization requests, knows, or has reason to know that
12 the payment will be used by the organization to make a contribution or an independent
13 expenditure to support or oppose a candidate or ballot measure in California, the full
14 amount of the donor's payment shall be disclosed by the organization as a contribution.
15 A donor "has reason to know," within the meaning of Regulation 18215(b)(1), that a
16 payment will be used to make a contribution or an independent expenditure if a donor
17 makes a payment in response to a solicitation indicating the organization's intent to make
18 a contribution or independent expenditure, an organization has announced such an intent
19 prior to the date on which the donor's payment was made, or if such an intent had
20 otherwise been made known to the donor or to the general public.

21 (c) If an organization that makes a contribution or an independent expenditure
22 from its general treasury is required by Regulation 18215(b)(1) to identify the donor(s) of
23 funds utilized to make all or part of a contribution or independent expenditure, the

organization shall identify donors described in subdivision (b), and then it shall employ the accounting method reasonably calculated to most accurately identify the sources of funds used to account for any remaining balance of the contribution or independent expenditure. To the extent that there is no more reasonable basis for identification of persons whose donations were used in whole or in part to fund the contribution or independent expenditure, the organization shall allocate the contribution or independent expenditure among donors who provided to the organization funds reportable as miscellaneous increases to cash, employing a “last in, first out” accounting method. If the organization uses an accounting method different from “last in, first out,” it shall identify on its campaign report the accounting method or methods employed. In all cases, however, an organization identifying sources of funding for political expenditures in California should not include funds clearly earmarked for purposes other than political expenditures in California.

(d) The organization shall maintain all records necessary to establish its compliance with subdivision (c).

(e) An organization that qualifies as a recipient committee under Title 9 (commencing with Section 81000) of the Government Code shall report as a recipient committee, identifying its contributors as required under subdivisions (b) and (c) of this regulation.

Note: Authority cited: Section 83112, Government Code. Reference: Sections 82015, 82031, Government Code.